

Message Text

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PAGE 01 PRAGUE 02179 131546Z

44

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 FCSC-01 CIAE-00 DODE-00 PM-07

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SPC-03 SS-15 USIA-15 ACDA-19 IO-13 INT-08 SCS-03

SCA-01 EB-11 STR-08 OMB-01 COME-00 TRSE-00 DRC-01

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5090

C O N F I D E N T I A L PRAGUE 2179

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--INFORMAL MEETING OF
CHAIRMEN

REF: PRAGUE 2158

1. BEGIN SUMMARY. IN MEETING WITH CHARGE THURSDAY AFTERNOON ZANTOVSKY REITERATED CZECH ARGUMENT THAT US CLAIMS HIGHLY EXAGGERATED AND PROPOSED PLENARY MONDAY A.M. IN WHICH HIS EXPERTS WOULD STATE CZECH CASE. CHARGE AGREED TO MEETING BUT SAID FLATLY THAT US ADJUDICATION WAS NOT SUBJECT TO REVIEW OR NEGOTIATION. END SUMMARY.

2. ZANTOVSKY OPENED INFORMAL "PRIVATE" DISCUSSION BY EXPLAINING THAT HE HAD RECESSED WEDNESDAY'S MEETING WHEN HE REALIZED THAT US FIGHRE FOR LUMP SUM WAS NOT \$26 MILLION FOR US CLAIMS BUT \$42 MILLION (\$26 MILLION PLUS \$16 MILLION FOR STEEL MILL). THIS WAS SO CLOSE TO 1967 PROPOSAL THAT HE DID NOT UNDERSTAND WHAT WAS CONTENT OF NEW US APPROACH TO "POLITICAL" SETTLEMENT. ZANTOVSKY WENT ON TO SAY THAT, RECOGNIZING THE US POLICY WHICH REQUIRED A SETTLEMENT AT NO LESS THAN 40 PERCENT, HE HAD SOUGHT TO FIND SOLUTION
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PAGE 02 PRAGUE 02179 131546Z

BASED UPON FULL CREDIT FOR STEEL MILL. IN LIGHT OF US CALL

FOR \$26 MILLION NET, CZECHOSLOVAKIA WOULD HAVE TO SEEK DIFFERENT APPROACH. THIS, HE SAID, WAS TO POINT OUT THAT \$72 MILLION ADJUDICATION WAS UNREALISTIC, AND THAT CORRECT PAYMENT AT 40 PERCENT RATE WOULD BE BELOW LEVEL INDICATED BY US. THEREFORE, HE PROPOSED PLENARY SESSION MONDAY A.M. AT WHICH CZECH EXPERTS WOULD EXPLAIN VIEW THAT US CLAIMS OVERVALUED.

3. CHARGE REPLIED THAT WE WERE, OF COURSE, READY TO ATTEND SESSION, AT WHICH US EXPERT WAS PREPARED TO DESCRIBE GENERAL PRINCIPLES AND PROCEDURES INVOLVED IN ADJUDICATION, ALTHOUGH HE WOULD NOT DISCUSS CASES. HOWEVER, HE EMPHASIZED THAT QUESTION OF VALUE OF US CLAIMS WAS NOT OPEN FOR NEGOTIATION AND THAT ANY EFFORT TO CREATE NEW BASIS FOR COMPUTING PROPORTIONAL SETTLEMENT WAS A DEAD-END STREET. WHILE CZECHS WILL PRESUMABLY WANT TO MAKE THEIR OWN PROPOSAL IN RESPONSE TO OURS, THEY SHOULD REALIZE ON WHAT BASIS WE ARE NEGOTIATING. CHARGE REVIEWED EARLIER SETTLEMENTS REACHED BY US AND REMAINDERED ZANTOVSKY THAT OUR NEGOTIATION AFFECTED BASIC US POLICY IN PROTECTING INTERESTS OF US CITIZENS AND CORPORATIONS FACING OR EXPERIENCING EXPROPRIATION OF PROPERTY.

4. ZANTOVSKY, REMARKING THAT MONDAY MEETING MIGHT BE EXERCISE IN FUTILITY, SAID THAT HE NEVERTHELESS WANTED TO PUT CZECH CASE CONCERNING VALUE OF US CLAIM. CHARGE SUGGESTED THAT, SINCE WE WOULD HAVE LITTLE TO SAY ONCE MONDAY'S DISCUSSION WAS COMPLETED, HE HOPED ZANTOVSKY WOULD HAVE SOME IDEAS FOR NEXT SESSION THEREAFTER.

WORTZEL

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